

radio shows and travels across the world. And today, of course, it echoes in the Halls of the Senate.

A remarkable 80 years, making a significant contribution to the improvement and the betterment of our great country. So it is truly an honor to welcome Reverend Roy from Southington, CT, who has opened our Senate session this morning with his wonderful, thoughtful prayer. We wish him and his family the very best, and we thank him for his wonderful contributions to our country.

#### RESERVATION OF LEADER TIME

The ACTING PRESIDENT pro tempore. Under the previous order, the leadership time is reserved.

#### RENEWABLE ENERGY AND JOB CREATION ACT OF 2008—MOTION TO PROCEED

The ACTING PRESIDENT pro tempore. Under the previous order, the Senate will resume consideration of the motion to proceed to H.R. 6049, which the clerk will report.

The legislative clerk read as follows:

Motion to proceed to Calendar No. 767, H.R. 6049, an act to amend the Internal Revenue Code of 1986 to provide incentives for energy production and conservation, to extend certain expiring provisions, to provide individual income tax relief, and for other purposes.

Mr. DODD. Mr. President, I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DODD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

#### HOUSING AND ECONOMIC RECOVERY ACT OF 2008

Mr. DODD. Mr. President, let me begin by thanking the majority leader, Senator HARRY REID of Nevada; the Republican leader, Senator MITCH MCCONNELL of Kentucky; and the respective Members of our two parties, but particularly the leadership for their ability to make it possible for us to move forward on this very important piece of housing legislation. We have been at this for some time.

Every Member in this Chamber, as well as the American people, realize the seriousness of the problem we face as a nation. We have a serious economic crisis in the country, and the heart of that economic crisis is the housing crisis. The heart of the housing crisis is the foreclosure crisis.

Let me begin this discussion by noting that several months ago on two previous occasions we dealt with housing legislation—which I will point out is a part of this larger package today—and at that time we were having about 7,100 foreclosures a day. At least that was the number of filings of fore-

closures when I first announced the level of foreclosures that were occurring. The numbers from May have just come in. The numbers are now close to 8,500, or 1,500 more than they were even 1 month ago. So we are now approaching 9,000 filings of foreclosures on a daily basis in our country.

In light of these numbers, I hope no one will suggest the problem is not a serious and growing one. We have not even hit July 1 yet when, of course, we realize the resets on some of these adjustable rate mortgages will begin to kick in; and as they do, we are warned by those following this issue almost on an hourly basis that the tidal wave of foreclosures will increase in the coming months, not decrease.

Obviously, with 1.5 million people who have already lost their homes, we are talking about a problem that is now spreading to commercial lending, municipal financing, student loans, and even having global implications as well for those who purchased these mortgage-backed securities. This is not confined to our own country. These were being purchased across the globe. So the problem begins with the foreclosure crisis, and yet the effects of it have spread far beyond the individual home, which is obviously the heart of most people's dreams in our country.

So the fact we were able to have our leadership, and Senator SHELBY will obviously speak for himself, but both of us, I can say with confidence, are very grateful to Senators REID and MCCONNELL for making it possible for us to move forward on this legislation.

I will guarantee that if I were able to write this bill all on my own, it would look different. And I promise that Senator SHELBY would probably write a different bill himself. But we don't live in a world where we get to write these things on our own. We serve in a body with 100 Members, and we have to work closely with others in the Chamber and the other body with 435 Members. We have a White House and an administration with which we have to deal. There are also, obviously, private interests around the country, from consumer groups and lending institutions, all having a deep interest in what we are trying to put together. So it is no easy task to cobble together a piece of legislation that will allow us to deal with this crisis, get us back on our feet again, restore some confidence and optimism among the American people so we can see capital begin to flow again, and thus wring ourselves out of this foreclosure issue and begin to see our economy grow and prosper.

That is what brings us to this very moment. I can't begin to express my gratitude to Senator SHELBY, who is the former chairman of this committee, to the members on the Democratic side of the Banking Committee, beginning with Senator TIM JOHNSON of South Dakota, along with, of course, the Republican members as well. On two previous occasions we have brought forth pieces of legislation that

have been adopted overwhelmingly by this body with 84 votes on the first bill and 90 votes on the second.

On the matter that will be a part of this bill, which has not been considered by the full Chamber, it passed our Banking Committee 19 to 2 back on May 20. So we come to this day having spent a great deal of time working with our colleagues, listening and working with the Members of the other body, as well as those who bring unique and special expertise to these very complicated issues. That is what we hope in the coming days to be able to complete, send our product to the other body, and hope they will endorse and support it, and then send the bill to the President for his signature.

With that as background, let me share a few thoughts about what are in these bills. As I mentioned already, most of what we are talking about has been voted on overwhelmingly by the Members of this body. On April 10, the Senate passed the Foreclosure Prevention Act of 2008, and passed it by an overwhelming majority. At that time, I shared my view of the legislation, and that it did not quite live up to the title. I told this body we had more work to do to prevent foreclosures in this country and to strengthen the housing finance system before we could say we had lived up to the name of that bill.

I am very happy to report this morning that the Banking Committee of the Senate went back and did that work, and today Senator SHELBY and I are reporting back to the Senate the Housing and Economic Recovery Act of 2008. This legislation incorporates all of the housing provisions of H.R. 3221 as it passed the Senate on April 10 by a vote of 84 to 12. It also includes the HOPE for Homeowners Act of 2008, which will help at least 400,000 families, we are told, and maybe more, to save their homes from this fate of 8,427 foreclosure filings a day. We need to try to put a break on that, if we can, and spare what it does to individual homeowners.

The bill creates a new, strong, independent regulator for the housing government-sponsored enterprises—the so-called GSEs, Fannie Mae, Freddie Mac, and the 12 Federal home loan banks. It also establishes a new permanent fund that will help build affordable rental housing for low- and moderate-income families.

I will review these titles in more detail momentarily, but first let me remind my colleagues why Senator SHELBY and I have been working so hard on this issue for the past number of months and throughout this entire Congress. Quite simply, we are living through the worst housing market since the Great Depression of the 1920s and 1930s. Here are the facts, Mr. President.

Residential construction in the United States fell by over 30 percent in the first quarter of this year. Sales of existing homes fell by 13 percent over

the past year. And while the new data for April indicates that sales may have finally picked up slightly, most analysts believe that pickup in home sales occurred only because home prices have continued to fall. They call this "price capitulation," which means homeowners finally gave up and are dropping prices precipitously at a great loss to their financial security.

The number of new homes that remain unsold continues to rise, reaching the highest number in over a quarter of a century. Adding to this number are the increasing number of foreclosed homes.

Foreclosures have hit a new all-time record, according to the Mortgage Banker's Association—MBA. This data shows that almost one in every 11 homes with a mortgage in the country is in default or foreclosure, as of the end of March. That is the highest level since the MBA began tracking foreclosures in 1979. Foreclosure rates have been growing at record levels for some time and last year alone 1.5 million American homes entered into foreclosure.

During each and every day of May, more than 8,400 American families entered foreclosure and the projections are that foreclosure rates will remain at historic highs for the foreseeable future. In fact, the investment bank Credit Suisse recently released a report in which they predict that 6.5 million homes will fall into foreclosure over the next 5 years. They state:

The coming flood of new foreclosures could put 8.4 percent of total homeowners, or 12.7 percent of homeowners with mortgages, out of their homes.

The scenario that they are describing is one in which one out of every 8 American families with a mortgage would lose their homes. That is a chilling prediction.

The effect that this is having on our economy cannot be overstated. Martin Feldstein, who served as President Reagan's chief economist, recently wrote in the *Wall Street Journal*:

The 10 percent decline in house prices has cut household wealth by more than \$2 trillion, reducing consumer spending and increasing the risk of a deep recession.

That means that American families have lost more than \$2 trillion of wealth. Losses of that magnitude are staggering. That is almost 20 percent of our Nation's annual GDP. Put another way, a national loss of wealth of \$2 trillion means that a typical family of four will have lost over \$25,000 of wealth due to the current housing market crisis.

This sharp loss in wealth for the average American homeowner comes at a time when they face record-high prices for the essentials of American life—food, gas, health care, and higher education. So the so-called foreclosure crisis is affecting more than those facing foreclosure. It is affecting nearly all of us. As one home falls into foreclosure, the values of countless other homes decline rapidly, if not immediately.

Robert Shiller, the widely respected economist, predicted recently that home prices will fall by 30 percent nationally. If that happens, the loss to American families will exceed \$6 trillion. That is more than half of our Nation's annual GDP. It would mean that the typical family of four would have lost approximately \$80,000 of wealth. That is more than most American families earn in an entire year.

The nationwide implications of this crisis help explain why consumer sentiment is at historic lows. Americans' expectations for future economic growth are at the lowest levels in 35 years, since the deep recession of the early 1970s.

These negative views about our economic prospects are based on the real experiences of most Americans. The Pew Center recently conducted a survey on Americans' views on not only the economy as a whole, but on their personal well being. The Washington Post characterized the Pew Center's findings as:

Offering the gloomiest assessment of economic well-being in close to half a century, a new survey has found that most Americans say they have not made progress over the past five years as their incomes have stagnated and they have increasingly borrowed money to finance their lifestyles.

By almost any measure—by any measure, Americans are struggling more than at any time in recent memory. Real median family income has fallen this decade as the costs of gas, health care, and college tuition have risen at levels far outstripping any increases in paychecks. Just to keep pace with these rising costs, Americans have turned to borrowing from credit cards and their homes. But now, as the crisis in our capital markets begins to threaten sources of liquidity for people, such as mortgages, student loans and other types of lending, the American economy is in a precarious place. That is why we need new policies and new action to prevent this recession from becoming more severe, and to lay the foundation for our recovery.

We have a responsibility to the American people to respond to their plight and to their pessimism, and to renew their confidence in the promise of the American dream.

The package Senator SHELBY and I bring before the Senate today meets this test. Is it perfect? Hardly. Never is there a piece of legislation that is perfect. Would either of us have done it a bit differently? I am confident we would. Are we guaranteeing it will work? Absolutely not. All we know is this is our best judgment, having worked together now for the last year and a half to listen to people at some 50 different hearings on a wide range of subject matters. Then we put together legislation that has enjoyed, I say again with thanks to our colleagues, overwhelming support in this Chamber on a bipartisan basis. That is not something we have done with great frequency, I might point out, in recent

years. The package is a good one. It is one we think covers many of the issues, if not most of them, with which we are grappling.

Let me review the major provisions included in this package.

First, FHA Modernization. FHA Modernization will help hundreds of thousands of homeowners gain access to safer, more affordable loans. FHA does not insure the kinds of risky, adjustable rate mortgages that so many homeowners were steered into, to their great peril and eventual sorrow. I want to point out to my colleagues that the only change from the FHA Modernization provisions passed in April is that we have increased the maximum loan limit to \$625,000, a provision that will expand the reach of this crucial mortgage lifeline to a broader cross-section of the country.

Veterans housing provisions—a number of our colleagues included important improvements to update the loan limits for VA loans; assist returning soldiers avoid rising mortgage rates and foreclosure; and expand housing benefits to disabled veterans.

CDBG funds—the bill includes about \$3.9 billion in emergency CDBG funds directed to those communities most affected by the foreclosure crisis. These resources will be used to buy foreclosed homes at a discount, renovate them, and return them to the market. These funds will help turn around neighborhoods decimated by disinvestment by bringing in new capital to start rebuilding homes and communities.

Counseling Funds—the bill also includes \$150 million in additional funds for housing counselors to help keep people out of foreclosure. There are many Members who care about this and were involved and talked about it. This language we have already adopted, but it is in this bill as well.

The HOPE for Homeowners Act of 2008, another provision in this legislation, creates a new fund at FHA to make loans to distressed borrowers to refinance them out of mortgages with payments they cannot make into safe, affordable, 30-year fixed rate loans.

Only homeowners—not investors or speculators—will qualify for these loans. And the lenders must agree to take steep discounts from the existing outstanding mortgages.

Only homeowners who cannot afford their current payments will qualify, and, once they take out the new loan, they will have to agree to share all newly created equity and future appreciation with FHA to help defray the Government's cost.

We have heard many people voice concerns about this bill, calling it a taxpayer bailout. Let me assure my colleagues, the Congressional Budget Office makes it clear that no taxpayer money will be used to fund this program. We pay for this important new program by all or part of the first 3 year's funding from the affordable housing fund created in the GSE portion of the legislation. Then we have

an additional \$2 billion cushion at the Treasury Department, should there be any negative implications.

In fact, according to the CBO, this program will make nearly \$250 million for the taxpayers over the next 10 years. In return, we will be saving the American dream for hundreds of thousands of elderly and hard-working families; stopping the bleeding in our communities; and helping restore confidence in our capital markets.

Finally, this package establishes a new, independent, world class regulator for Fannie Mae, Freddie Mac, and the Federal Home Loan Banks, known as the housing Government-sponsored enterprises, GSEs. The legislation endows this regulator with broad new authority, equivalent to the authority of other Federal financial regulators, to ensure the safe and sound operations of the GSEs. Let me recite the powers included in this legislation: Establish capital standards; establish prudential management standards, including internal controls, audits, risk management, and management of the portfolio; enforce its orders through cease and desist authority, civil money penalties, and the authority to remove officers and directors; restrict asset growth and capital distributions for undercapitalized institutions; put a regulated entity into receivership; and review and approve, subject to notice and comment, new product offerings.

As we all know, the housing GSEs have played the central role in keeping the mortgage markets functioning. Yet in recent months, like many others in the mortgage industry, Fannie Mae and Freddie Mac have lost billions of dollars. It is their very importance that makes it imperative that we assure ourselves, and the American people, that the GSEs are on solid financial footing so they can continue to serve that crucial function. A strong and of active regulator can help make sure that the GSEs continue to operate in a safe, sound, and effective manner.

The new legislation significantly enhances the affordable housing component of the GSEs' mission, and expands the number of families Fannie Mae and Freddie Mac can serve by raising the loan limits in high-cost areas to 150 percent of the conforming loan limit. Currently, this limit would be \$625,000.

The legislation tightens targeting requirements of the affordable housing goals, and rewrites those goals to ensure that the enterprises provide liquidity to both ownership and rental housing markets for low- and very-low income families.

Finally, the legislation creates a permanent, new Housing Trust Fund and a Capital Magnet Fund, financed by annual contributions from the enterprises, which will be used for the acquisition or construction of affordable rental housing, some ownership housing, and economic development for low-income families and communities.

This new affordable housing fund—financed fully by the enterprises—will

provide a steady stream of financing to build housing for those most in need. The Capital Magnet Fund requires that each dollar leverage at least an additional \$10. Together, these programs will provide billions of dollars for new affordable housing in years to come. I want to acknowledge the important contributions of Senator JACK REED to this part of the legislation. This is going to be a permanent program that will make a difference for millions of people in years to come.

I thank my ranking member, Senator SHELBY, and his staff, for their hard work to reach consensus on this whole package.

This is what we are supposed to be doing. This is what we get elected to do. We don't get elected to decide exactly what we want to do at the expense of everyone else. It means sitting down and working together to come up with solid ideas that can make a difference in our country. Today, 8,427 people are going to start to lose their homes. Tomorrow another 8,427 will have that happen, and that will happen every single day until we do something to bring this to a halt. That number has gone up by 1,000 families in the last 2 months. We cannot waste another day. There is no other issue which demands our attention and our action more than this one, and any effort to be dilatory and to stop us from saving these people and keeping them in their homes ought to be rejected by every Member of this body.

This is a cancer in our society, and it is causing us deep problems. We need to do something about it. Senator SHELBY and our staffs and the members of our committee have worked hard and long to bring this package forward. It enjoys broad-based bipartisan support, as we hoped it would. Now we have a chance to complete action on this and to make a difference and to say to the American people: In this Congress, we did something. We stepped up and tried to make a difference for that great dream of home ownership, of raising your family in a decent house, of being able to provide for your long-term security, of making a difference for your neighborhoods and communities. We are going to do everything we can to see to it that these numbers decline, that foreclosures at this rate on a daily basis are going to stop in our country.

Again, we say to you, we realize not everyone agrees with what we are doing here.

You never can here. I have been here for 27 years. The greatest moments of this body are where people have come together to try and make a difference, not trying to get their own way all the time. You are part of a larger body representing a great country. And even though you come from one State and one area of the Nation, we all have a job to do, to take care of all of us in this country.

While this problem does not affect every citizen of the country, it is growing. If we do not do something soon

about it, we will be indicted by history for not doing it.

I thank my great friend from Alabama, who has been a great chairman of this subcommittee, been a great member of this committee, and he has worked awfully hard to bring us to this moment. I am grateful to HARRY REID and to MITCH MCCONNELL for making it possible.

I yield the floor.

The ACTING PRESIDENT pro tempore. The Senator from Alabama is recognized.

Mr. SHELBY. Mr. President, this morning I am pleased to join my colleague, the chairman of the Senate Banking Committee, Senator CHRIS DODD. The Banking Committee has devoted considerable time and effort to developing comprehensive and complex housing legislation. The proposed legislation's most significant provisions include a new regulatory structure for Fannie Mae, Freddie Mac, and the Federal Home Loan Bank system, a new program to help qualified homeowners stay in their homes, and reforming the FHA.

This legislation creates a new regulator who has the authority and the flexibility to regulate the GSEs appropriately. I am also pleased that the HOPE for Homeowners proposal is paid for; not by taxpayer's money either. I believe we should do what we can to help struggling homeowners, short of asking the taxpayers to foot the bill.

The legislation also provides immediate help to the marketplace by reforming the Federal Housing Administration, allowing it to provide greater liquidity and thereby enhancing the options available to America's homeowners.

It also provides additional funding for foreclosure prevention counseling, which will hopefully help homeowners stay current on their mortgages and able to remain in their homes.

In order to prevent this situation from repeating itself, the legislation increases the disclosures made to consumers obtaining mortgages. I believe that giving consumers more information and a greater ability to understand the choices they are making will help them avoid the pitfalls and bad decisions many underinformed consumers made in the recent past.

To better protect our soldiers, sailors, and airmen, this legislation extends additional consumer protections and provides those returning from combat a chance to get back on their feet before they face foreclosure of their homes.

In an effort to provide communities with the ability to clean up the damage caused by foreclosures that have already occurred, we have also included funding to allow States and communities to buy up and repair foreclosed residences. Attached to this funding is a requirement—here I think this is important—that any profit from the sale of properties must be used to buy and repair additional properties. I believe

the reuse of this funding in this manner will maximize the impact of these dollars and minimize the possibility that funds will be wasted or profits inappropriately pocketed by someone.

The bill also contains a number of tax-related provisions prepared in a bipartisan fashion by the chairman and the ranking member and the staffs of the Finance Committee.

While there is a large and growing number of homes entering foreclosure in this country, we must remember that the vast majority of homeowners are living within their means and making their mortgage payment. Therefore, my primary consideration here during negotiations on this bill has been to protect the American taxpayer. In creating a strong regulator for the GSEs and using an independent funding stream to pay for the FHA program, I believe we have met that goal.

With crises such as this one we are facing now in this country, I believe the American people expect us to provide effective and timely solutions the best we can. Chairman DODD and I have worked together to develop a package of targeted measures intended to stabilize and strengthen the housing financial markets.

I strongly urge my colleagues to support this carefully crafted compromise.

I remind my colleagues that this bill came out of the Banking Committee 19 to 2. That is a strong vote for a bipartisan measure.

I yield the floor.

The ACTING PRESIDENT pro tempore. The Senator from Connecticut.

Mr. DODD. I thank my colleague from Alabama.

I want to read this list into the RECORD to give our colleagues some sense of the broad support this proposal has developed. Let me quote from several of our major editorials as well as major economists representing the political spectrum in our country. I will share this with you.

Alex Pollack, resident fellow at the American Enterprise Institute:

This is an appropriate and targeted approach to the downward spiral caused by the deflation of the great housing and mortgage bubble of the 21st century.

Alan Blinder, an economist at Princeton University and the former vice chairman, Board of Governors of the Federal Reserve System:

I think that the HOPE for Homeowners bill is the most important piece of economic legislation before the Congress today.

The Miami Herald:

The Senate represents a bipartisan compromise that deserves wide support.

The Boston Globe:

There is no bailout or windfall here. Congress is merely offering a fighting chance for families and credit markets to recover.

Newsday:

The Senate program is called Hope for Homeowners. That's just what families facing foreclosure need.

Fran Grossman, the senior vice president of Shore Bank in Chicago:

With millions of hard working Americans torn between looking for work and putting gas in the tank or paying their mortgage, we must enact legislation to provide access to the resources that will help families to hold onto the American dream and get our economy moving again.

Robert Shiller, as I pointed out earlier, supports this legislation. He is highly respected, by the way, as someone who deals with the issue of the index dealing with housing values.

Again, groups from the American Enterprise Institute to the Consumer Federation of America.

Alan Fishbein. Let me quote him:

With foreclosures on the rise a stepped-up Federal lifeline is desperately needed if many hard-pressed families are to save their homes.

From the Consumer Federation of America to members of the American Enterprise Institute, former members of the Federal Reserve Board, members of the Reagan administration, the Council of Economic Advisers, others, all are advocating—and I am not suggesting dotting every “i” and crossing every “t.” But they have taken this work of Senator SHELBY and 17 of our other colleagues of the 21-member committee, 19 out of 21 having gone through all of the hearings, 50 of them over the last year, listening to all sorts of people talking about what needs to be done. It is now the bipartisan overwhelming majority opinion of us on that committee that this package we offer here is our best step forward.

Having done the work for a year now, spending the hours that we have listening to people and getting solid advice, this is what we believe, as they believe, is the best response America can make at this moment.

Remember, this HOPE for Homeowners is voluntary; it does not mandate anything. It creates an opportunity for people. We hope they will take advantage of it when this legislation is signed into law.

I yield the floor and suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. WHITEHOUSE). The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. REID. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### AMERICAN HOUSING RESCUE AND FORECLOSURE PREVENTION ACT OF 2008

Mr. REID. Mr. President, I ask the Chair to lay before the Senate a message from the House with respect to H.R. 3221, and that the only amendments in order today be those relating to the subject of housing, except the amendment I will offer on behalf of Senators DODD and SHELBY, in my motion to concur in the amendment of the House, striking section 1, and all that

follows through the end of title V, and inserting certain language to the amendment of the Senate to H.R. 3221, and that no other motions, except motions to reconsider and motions to table, be in order during today's session.

The PRESIDING OFFICER. Is there objection?

Mr. DEMINT. Mr. President, reserving the right to object. I appreciate the leader's sensitivity to some concerns we expressed yesterday on the length of this bill and the fact that probably very few, if any, of us have had a chance to read it, as well as his sensitivities to a slew of credible media reports that question some of the intents in the bill.

We all know the housing crisis is an issue in this country, and we do need to look at what we can do as a Senate to relieve the foreclosures and to help Americans stay in their homes. But we need to do it in a way the American people trust. We are trying to get through this bill. We know it has been changed since the committee has considered it.

I ask the leader if he would consider a modification of his agreement that we be assured that before this bill is finished, we will have an opportunity in the minority to offer an amendment that would refer the bill to the committee with instructions to report what direct benefits Countrywide or other financial institutions would receive from this legislation. Would the leader be willing to modify his agreement to include that?

Mr. REID. I say to my friend from South Carolina, the distinguished Senator, and I remind everyone, that 75 percent of this bill has already been passed and was done by a very big vote.

The 25 percent we are working on now—we hope to work on—is work that has been done on a bipartisan basis. And much of it, if not all of it, was in total consideration with the White House. So I say to my friend, let's go ahead and we will legislate on this bill today, the Senator not objecting. I will be happy to sit down with Senator DEMINT alone, with the minority leader, anyone else, and talk about the concerns you have, as you have indicated, as to benefits going to whomever they go to, and let us see if we can get from here to there by approaching it in that manner.

But as I indicated yesterday, this is important legislation. We want to make sure there are no problems with any Senators who have other concerns. So, in short, let me say this: My friend loses nothing by allowing us to go to the bill as indicated in this consent agreement. And then any time during the day, I will be happy to meet with him and the other eight Senators, together or alone, who signed that letter, and the distinguished Republican leader can suggest whomever, if anyone, he wants in on that meeting. I will be happy to work with the Senator.

Mr. DEMINT. I do not feel qualified as an individual member to make the